

# Charity Gaming - Bingo

Although the number of charity gaming licensees continued to decline in FY 1999, the decrease was much less than in previous years. It appears that the full impact of riverboat gambling and the 1993 tax increase have been absorbed and the industry stabilizing. The Bingo Division issued 659 regular bingo licenses, down only 25 from the previous year. While the number of special licenses also declined, it too was significantly less than in previous years.

An important development for charity game operators was the decision in *Association of Charitable Games v. Missouri Gaming Commission*, wherein the U.S. District Court ruled that the provision in the Missouri Constitution that restricts bingo operators from advertising is unconstitutional. Fortunately, in 1996 the legislature acted on the Commission's recommendation to amend the bingo statute to allow advertising under certain conditions should the constitutional restriction be lifted.<sup>47</sup> These statutory provisions will prohibit bingo operators from taking money that should be donated to charity and diverting it into questionable advertising schemes. The statute restricts bingo advertising to two percent of the total amount expended from receipts of bingo.<sup>48</sup>

Other new developments included the introduction of Electronic Bingo Card Monitoring Devices (EBCMD) which allow players to play up to 54 cards via a small hand held device. The devices are becoming increasingly popular with players and many organizations find that the EBCMDs increase the per player revenue and brings in new players. However, the use of the devices is mainly limited to the metropolitan areas and has not been as beneficial to operators in rural areas.

The regulation limiting the number of bingo games in a single hall to five per week was eliminated effective July 1, 1999. This rule change will allow operators to lease premises at a more reasonable rate. It is also expected that the regulation will improve the quality of facilities that are available for lease. Because of the recent change in the regulation, its impact on the bingo industry will not be known until FY 2000.

The Commission continues to conduct training seminars for bingo operators throughout the state. The seminars are designed to educate bingo operators on how to comply with the standards set forth in the Missouri Constitution, the bingo statutes and the rules and regulations promulgated by the Commission. Recently, the Commission began to survey bingo operators during the seminars to solicit information regarding specific changes charities would like to

<sup>47</sup> H.B. Nos. 1159, 842 & 799, § A.

<sup>48</sup> Section 313.040(9), RSMo.

make in order to make their games more exciting for their players. Many of these requested changes will require amending existing regulations and other changes may require statutory changes. The Commission will submit the results of these surveys to the General Assembly prior to the 2000 legislative session.

The Bingo Division has recently implemented a Complaint Tracking System. This system is designed to track all complaints received and work on a priority basis. After complaints are investigated summary reports are written which help assist the Commission in determining if the conduct merits disciplinary action.

### **Audit and Enforcement**

The audit staff completed forty-two (42) operator audit inspections and assisted the enforcement staff with an additional twenty-three (23) inspections. The charity game operator inspections were prioritized due to a high volume of complaints from players or members of charities. The comprehensive game inspection procedures have been updated to facilitate a more thorough audit/inspection and to ensure the operator's compliance with Missouri Statutes and rules and regulations.



Charity game inspections are conducted randomly or many times as a direct result of request/complaints from players or members of charities who report illegal game activity. The audit and inspection procedures are designed to limit game disruption and ensure organizations are keeping records which accurately reflect game receipts and that the operators are using their game profits for charitable purposes. The audit and enforcement sections have presented the inspection requirements during the statewide seminars in order to ensure that the charities are informed of what is required. The game inspection procedures mirror the recordkeeping requirements outlined in the game operation requirements and recordkeeping requirements in the statutes and regulations.

The Audit section has also completed audits of each of the licensed suppliers and three of the six licensed manufacturers during fiscal year 1999. Audits of licensed suppliers are crucial because of the supplier's responsibility to collect bingo taxes owed to the state. Audits of licensed manufacturers focus on their ability to track product being shipped into the state and game security.

## History of Bingo in Missouri

In last year's annual report, the Commission provided a history of riverboat gambling in order to provide the General Assembly with a historical perspective of the rapid policy developments in that area. The section was well received and therefore, the Commission offers this summary of the 21 year development of bingo in the State of Missouri.

In 1980, the voters approved bingo as the first form of legal lottery since the enactment of the Missouri Constitution of 1865.<sup>49</sup> Missouri's first foray into legalized games of chance in over 100 years came with many restrictions attached. Bingo could only be operated by certain charitable, fraternal, religious, service or veterans organizations that had been in existence for more than five years and had at least 20 bona fide members with at least two years of service. The amount of prizes that could be given away in a single event was limited to \$3,600 and organizations were prohibited from advertising their bingo events or paying their workers. In addition, all proceeds of the game were required to be donated to charity.

<sup>49</sup> Constitutional Amendment No. 3 was approved by the voters on November 4, 1980 with 1,338,272 in favor and 533,458 opposed.

Despite the myriad of restrictions, charitable bingo established itself as a regular pastime for many Missourians and emerged as a significant contributor to many charitable causes. By the time the state lottery was approved in 1984, bingo operations were generating approximately \$2 million in state revenue and a great deal more for charity. The proceeds from bingo continued to grow until, in Fiscal Year 1995, revenues and the number of licensees declined dramatically. Revenues and the number of licensees have continued to decline each year since FY '95; although the decline appears to have leveled off beginning in FY '98.

The reason for the initial decline can be attributed almost exclusively to the 120% tax increase on the sale of bingo cards imposed by HB 112, passed in 1993. This new tax, which was designed to finance the construction of nursing homes for veterans, decimated many of the state's bingo games. The number of licensees declined from 970 to 852 in a single year.

The decline in the number of bingo games can also be partially attributed to a scandal that was revealed in 1992, when it was discovered that Bernard "Spanky" Black, a convicted thief, gambler and promoter of prostitution, was associated with the operation of a bingo hall in Kansas City, Kansas. It was also discovered that associates of Black, including a convicted felon, used money gained from a massage parlor to purchase a bowling alley in Missouri which it then leased to organizations to conduct bingo. One of the organizations operating at the bowling alley listed Joseph

B. King as its treasurer. King is a convicted felon and was a participant in the massage parlor and bowling alley ventures.

In order to save charitable bingo in Missouri from an onslaught of scandal and over taxation, immediate action was necessary.<sup>50</sup> The legislature reacted quickly by adopting SB 427, repealing the special tax for veterans homes, in the following session. The bill passed with an emergency clause and therefore the new tax was only in effect for less than six months.<sup>51</sup> The funding for the construction of the new veterans homes was replaced by transferring the unencumbered moneys in the Gaming Commission Fund at the end of each fiscal year to the Veterans' Homes Capital Improvements Trust Fund. This is the second of four instances in the past four legislative sessions where the General Assembly has chosen to allocate unencumbered funds from the Gaming Commission fund for a purpose other than the regulation of riverboat gambling.

SB 427 also overhauled the regulatory structure for bingo by establishing new licensing requirements for manufacturers, suppliers and hall providers as well as implementing a new system of taxation that provided an audit trail of financial transactions in place of the old method of voluntary reporting. The bill established a higher burden of proof for applicants and licensees, streamlined the bookkeeping and reporting requirements for bingo organizations and placed the responsibility of collecting taxes on professional suppliers rather than volunteers serving charities.

It appears that the remedial measures in SB 427 have been successful. While bingo receipts have continued to recede, the decline has been gradual and largely attributed to the competition from riverboat gambling, not because of higher taxes or scandals involving criminal elements infiltrating bingo operations. The addition of progressive games, a decision in federal court that will permit bingo operators to advertise and the possibility of electronic card readers have given many of these charities renewed hope of survival and prosperity, despite the increased competition from riverboats and high stakes Indian bingo parlors in adjoining states.

<sup>50</sup> An editorial in the *Kansas City Star* on September 9, 1992, said that "Bingo for too long has been seen by the public as non-gambling. Felons linked to prostitution and massage parlors can and do find a way to profit from the games, even though they are barred by law. Bingo should be given a hard look by the next session of the General Assembly."

<sup>51</sup> Under the provisions of HB 112, the new special tax on bingo cards did not commence until January 1, 1994. The Governor signed SB 740 into effect on May 20, 1994, thereby repealing the tax.